

October 2009 - Revised April 2010



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

# FY 2010 Annual Plan *with Strategic Plan Update*



# U.S. Environmental Protection Agency Office of Inspector General

## Strategic Plan FY 2010 Update

### Goals:

1. Contribute to improved human health and environmental quality.
2. Contribute to improved business practices and accountability.
3. Continuously improve Office of Inspector General (OIG) products and services.

### Objectives: *(linked to OIG's Government Performance and Results Act/Budget Measures and Targets on Page 24)*

- Influence programmatic and business actions, savings, and risk reduction to improve operational efficiency, accountability, environmental quality, and public health.
- Identify risks and weaknesses, and promote recommendations, best practices, and opportunities for operational and environmental improvements and resource savings.
- Leverage funds invested in the OIG to achieve a positive dollar return in savings and recoveries.
- Improve operational and program integrity, reduce loss of resources, and promote public confidence in the U.S. Environmental Protection Agency (EPA) through detection and prevention of fraud, waste, and abuse.

### Strategy: *(linked to the assignments listed in this plan)*

- Create an organizational structure and culture that maximizes the application of resources, information, measurement tools, technology, empowerment, teamwork, creativity, and communication for mutual accountability and enhanced productivity.
- Plan outcome-oriented assignments that fulfill all statutory and regulatory requirements, meet the needs of EPA's stakeholders, address EPA's most significant risks, and influence actionable changes, savings, and long-term improvements.
- Implement independent oversight through the Offices of Audit, Program Evaluation, Mission Systems, and Investigations, based on the Enterprise Risk Management Integrated Framework Model and focusing on the following **Themes**:
  - *Agency Research*
  - *Follow-up*
  - *Grants and Contracts*
  - *Homeland Security*
  - *Internal Controls/Risk Assessment*
  - *Manpower Assessment*
  - *Enforcement/Regulation Review*
  - *Project Management*
  - *Efficient Resource Management/Accountability*
  - *Superfund*
  - *Recovery Act Oversight*
  - *Information Security*

## Mission of the Office of Inspector General based on the Inspector General Act of 1978 *(as amended)*

The OIG mission is *to conduct and supervise audits, evaluations, inspections, and investigations relating to the programs and operations of the Agency; to provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of Agency programs and operations; to prevent and detect fraud and abuse in Agency programs and operations; and to keep the Administrator and the Congress fully and currently informed about problems and deficiencies relating to the administration of Agency programs and operations and the necessity for and progress of corrective action.*

This OIG Annual Plan identifies mandated and selected assignment topics continuing from Fiscal Year (FY) 2009 and the first half of FY 2010, and scheduled to be started in the ***second half*** of FY 2010, providing for unforeseen work in the latter part of the year that may be directed by a new Inspector General, and requests from new Agency leadership and Congress. Because this is a living, flexible document subject to change, the reader is encouraged to consult our Website, [www.epa.gov/oig](http://www.epa.gov/oig), for the most current listing of recently issued reports.

This Plan is implemented through audits, evaluations, investigations, and follow-up reviews in compliance with the Inspector General Act, the applicable Professional Standards of the U.S. Comptroller General, and the Quality Standards for Federal Offices of Inspector General of the Council of Inspectors General on Integrity and Efficiency.

Primary sources of input for the assignments listed in this plan included a risk assessment across Agency programs and operations based upon prior OIG work, Government Accountability Office (GAO) high-risk assessments, congressional interest, Office of Management and Budget (OMB) priorities, Agency vulnerability/internal control assessments under OMB Circular A-123 and the Federal Managers' Financial Integrity Act (FMFIA), and identification of key Agency challenges and strategic planning priorities. Our current planning also reflects direct outreach and solicitation of topics and assignment suggestions from EPA's leadership during FYs 2007, 2008, and 2009, and oversight requirements specified by the American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act). ***As a result, a significant number of new assignments listed in this Plan are responsive to the immediate concerns or requests of our clients and the focused needs of ARRA and the Recovery Accountability and Transparency Board. Other assignments are required or are self-initiated based upon our Themes, which indicate how we believe we can provide the greatest value and risk reduction to the Agency and the public interest.*** We want to thank each of the Assistant Administrators, Regional Administrators, and the Deputy Administrator for their participation in this process, and we look forward to continuing an open dialogue for receiving their ideas, suggestions, and feedback.

We welcome input into our planning process, and feedback on the quality and value of OIG products and services from all customers, clients, stakeholders, and the public through our Website: [webcomments.oig@epa.gov](mailto:webcomments.oig@epa.gov).



Bill A. Roderick  
Acting Inspector General

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*The OIG Annual Plan is produced by the OIG Office of Congressional, Public Affairs and Management in conjunction with the OIG Acting Inspector General and Assistant Inspectors General, with input from the EPA Administrator, Deputy Administrator, Assistant Administrators, and Regional Administrators, as well as congressional stakeholders and OMB.*

**This Plan is available in hard copy from:**

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**via the Internet at: [www.epa.gov/oig](http://www.epa.gov/oig)**

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**or**

**[OIG\\_Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)**

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## **EPA Office of Inspector General FY 2010 Annual Plan: Identifying the Risks**

### ***The Criteria for Developing and Selecting Assignments***

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The OIG reviewed the major risks, challenges, and planning priorities across EPA and solicited first-hand input from Agency leadership to identify and select OIG products and topics that would be of greatest benefit to them and the American public they serve. This section summarizes and applies the key Agency-wide risks, issues, and management challenges as the bases for the types of work assignments requested, developed, and selected for this FY 2010 plan.

#### **Top EPA Management Challenges – Reported by the OIG** *(as required by the Consolidated Reports Act of 2000)*

**Management of Stimulus Funds:** EPA will receive \$7.2 billion from the American Recovery and Reinvestment Act of 2009 through FY 2011. Monitoring recipients' activities while commencing expenditures and activities as quickly as possible will present challenges to the Agency. Additionally, the Agency will face significant challenges in meeting ARRA requirements for additional monitoring and oversight while carrying out its ongoing programs. EPA will need to rely heavily on State agencies, as the primary funding recipients, to properly monitor subrecipients' use of funds. Superfund work will generally be awarded with contracts, and with the emphasis on awarding funds and starting work quickly, EPA needs to make sure contractors are ready and able to accept the additional work.

**EPA's Organization and Infrastructure:** EPA has about 140 offices and laboratories. Due to the autonomous nature of regional and local offices, and the growing pressure to expand its role globally, EPA will be challenged to assess the efficiency and effectiveness of its current structure.

**Performance Measurement:** EPA must examine the logic and design of its measures for success and efficiency, along with ensuring consistent data standards and definitions, to ensure that adequate information is obtained and used to evaluate and manage EPA programs, operations, processes, and results.

**Threat and Risk Assessments:** EPA does not comprehensively assess threats to human health and the environment across the environmental media for which it is responsible (e.g., air and water) to ensure actions are planned, coordinated, and budgeted most efficiently and effectively. This fragmentary approach continues because environmental laws often focus on single media or threats.

**Water and Wastewater Infrastructure:** EPA will need to coordinate huge investments to replace, repair, and construct drinking water and wastewater treatment systems that are reaching the end of their life cycle.

**Homeland Security Requirements:** EPA should implement a strategy to effectively coordinate and address threats, including developing a strategy to identify resource needs, internal and external coordination points, and responsible and accountable entities.

**Oversight of Delegations to States:** EPA should exercise oversight of States and tribes that are responsible for implementing EPA's programs, enforcing laws and regulations, and reporting on program performance. Inconsistent capacity and interpretation among State and tribal entities limit accountability and compliance.

**Chesapeake Bay Program:** EPA should institute management controls ensuring that actions to manage land development, agricultural runoff, nutrient reduction technology, and air emissions are implemented, and that consistent sources of funding are identified by EPA partners. After more than 20 years of effort by federal, State, and local governments, Chesapeake Bay waters remain degraded, and required nutrient and sediment reductions will not be met by the 2010 target.

**Voluntary Programs:** EPA's voluntary approaches and innovative or alternative practices should be managed using standards, consistent processes, and verifiable data to ensure that programs are efficiently and effectively providing intended and claimed environmental benefits.

**Safe Reuse of Contaminated Sites:** EPA's management of the long-term oversight and monitoring of the safe use of contaminated or once-contaminated properties has increasingly lagged because EPA continues to heavily promote site reuse without the needed investment to ensure safety.

**Information Security Capability:** EPA needs to further enhance its cyber security capabilities by acquiring the funds, forensic tools, and experienced technical specialists to determine how attackers have gained entry to EPA network systems, what they did while within EPA's domain space, what information was compromised, and what data may have been maliciously removed. EPA needs an integrated approach for analyzing current and future intrusions, and must also implement several previously-reported security weaknesses that hinder its effective response to network attacks.

## EPA Internal Control Risks and Weaknesses Identified by the OIG

- Information technology systems development and implementation
- Program evaluation
- Superfund cost recovery
- Superfund site deletions
- Efficient use of available funds
- Tribal environmental capacity building
- Data quality and standards
- Privacy program
- Workforce planning
- Human capital – Appointments
- Reporting on compliance with Federal Managers' Financial Integrity Act
- Grant oversight

## EPA High Risk Areas Identified by GAO

- Agency-wide management
- EPA's process for assessing and controlling toxic chemicals
- Implementation of the Clean Air Act
- Pollution of the Nation's waters
- The pace of clean-up at Superfund and other hazardous waste sites
- Emerging climate change issues

## Management Challenges, Risks, Priorities, Issues Identified by EPA

*The following information identifies cross-cutting risks that the OIG identified through outreach solicitations and meetings with EPA Leadership.*

### **1. Emergency Preparedness/Homeland Security**

- Preparedness for emergencies (natural or manmade disasters) is an unknown risk and needs greater attention
- Protection of drinking water (Water Sentry program) requires a coordinated effort.
- Waste management under possible disaster conditions presents a secondary risk that needs attention.
- Data security and protection controls may be vulnerable and should be tested to guard against cyber attack.
- Clarification of roles and responsibilities (within EPA, between federal agencies and States) needs to be determined and articulated.

### **2. Stovepiped Organizational Planning**

- EPA implements original authorizing legislation on the basis of specific media instead of holistically.
- The 30 federal agencies with an environmental mission need better coordination in planning and implementation.
- There is a lack of direct lines of authority (coordination) among and between Assistant Administrators and regions.
- Plans, resources, data, authority, and measures are not aligned with risks and priorities across EPA.
- Better collaboration internally and with stakeholders is needed to align processes, leverage resources, implement controls, reduce duplication, and align resources with priorities.

### **3. Data Quality & Systems/Security/Availability/Consistency of Reporting**

- There are gaps and inconsistencies in the information that drives the decision-making process.
- Questions exist as to whether EPA is collecting the right data, of sufficient quality, and is making that data available.
- EPA's information systems are not aligned for efficiency, consistency, accessibility, and security.
- Control of laboratory data, personally identifiable information, and confidential business information outside of EPA, especially related to registration and re-registration of pesticides and other formulas regulated by the Toxic Substances Control Act, all present significant risks.

### **4. Performance Measurement/Funding**

- Agency programs need a consistent approach for determining relative risk and demonstrating outcome results.
- EPA and its partners need a clear linkage among goals, resources, processes, actions taken, and outcomes.
- There are no standards or agreement among stakeholders on which to base measures of environmental risk and outcomes (States vs. national).
- Program efficiency, progress, and results are not measured meaningfully.
- EPA does not know what activities cost and what efficiency measures are needed.
- It is unclear who will pay for needed infrastructure investment.
- EPA should determine how to use creative financing and leverage funding through public-private partnerships.



## **5. Compliance/Enforcement**

- Differences exist in the ways environmental laws are monitored and enforced between EPA and States/tribes.
- Monitoring requirements for grants are underfunded.

## **6. Grant Management/Monitoring/Grantee Capacity**

- EPA lacks control of fund management and accountability once the funds for assistance agreements to grantees are distributed; half of the Agency's budget is allocated to these agreements.
- The highest risk in the grants management process is at the point that funds are spent by grantees and are sometimes commingled with other sources of grant funds.
- Grantees have limited capacity or incentive to account for funds or performance.
- EPA lacks resources to adequately monitor grants, and lacks uniform reporting and accountability conditions.
- EPA should execute and manage grants for measurable success vis-a-vis their intended goals.

## **7. Human Capital Management – Skill Gaps/Alignment with Functions**

- EPA should analyze its workforce to identify and fill skill gaps and to implement its Human Capital Strategy.
- EPA should recruit to close identified competency gaps.

## **8. Financial Management/Contracting (Accounting for Cost of Performance)**

- The Agency should manage its resources and the performance of contractors to optimize their value added.
- EPA needs operational controls to protect and account for costs, assets, information, and performance.
- EPA should more strongly implement FMFIA and the OMB Circular A-123 process.
- The Working Capital Fund lacks the transparency or accountability necessary to prove its efficiency.
- Agency management should better understand and be accountable for taking agreed-to actions on OIG recommendations.
- OIG recommendations should be specific, and OIG should only accept specific, responsive, and measurable proposed Agency actions.

## **9. Policy and Regulation Setting, Review, and Implementation**

- The Agency's extremely complex regulatory process should be streamlined without compromising its required integrity.
- Competing interests of stakeholders and the regulated community may lead to overlaps, gaps, and conflicts.
- Many policies are out of date or are based on outdated science and technology.

## **10. Risk Measurement, Characterization, Innovation, and Communication**

- EPA should use a consistent approach to evaluate actual and relative environmental and operational risk and program effectiveness, assign resource priorities, make regulatory decisions, take enforcement actions, and inform its stakeholders.
- EPA should ensure the integrity of laboratory data, results, and scientific research; knowledge and innovative technology should be transferred in a timely manner in the regulatory and policy process.

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## EPA Office of Inspector General FY 2010 Annual Plan: The Strategy

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Based on prior work, cross-Agency risk assessment, Agency challenges, future priorities, and customer input, we chose the following themes to develop and prioritize our FY 2010 work. We chose these themes to address cross-Agency weaknesses and vulnerabilities, and to seize opportunities for significant Agency improvement through greater savings, efficiency, and risk reduction.

Results measurement has been expanded to include all aspects of measurements under the category of Program Management and Data Verification, including availability, quality, accuracy, validity, and management. Results measurement has been a major management challenge in EPA in past years. Overhead and manpower assessment are interrelated as factors of efficiency, and EPA should consider how many people and fixed resources it needs to administer its programs. EPA should better recognize and assess its own program and operational strengths and weaknesses through evaluations and internal control reviews. Each theme is briefly described below.

### Risk and Customer-Driven Themes for Greater Performance and Efficiency

**Research & Development:** EPA spends a significant amount of resources on, and depends on the work of, the Office of Research and Development (ORD) to provide the scientific and research foundation for much of EPA's policy, regulations, and enforcement actions. The OIG has performed little prior review of ORD's costs, performance, and data quality.

**Follow-up:** The OIG issues hundreds of recommendations for Agency improvement each year, and the Agency self-certifies that agreed-to actions are completed. Without verification and reporting of recommendations that remain outstanding, the OIG and Agency management cannot be sure that appropriate actions have been taken to resolve problems or improve conditions.

**Grants and Contracts:** Over half of the Agency's budget is dedicated to assistance agreements for States, tribes, universities, and nonprofit organizations. The highest risk in the grants management process occurs at the point where the funds are spent, yet many grantees have limited capacity or incentive to account for funds or performance. This risk is even greater in FY 2010 as EPA's budget was increased by \$2.8 billion from FY 2009, with most of the increase targeted for grants. The Agency is highly dependent on contracts, with about a fifth of its annual budget used to acquire contract goods and services. With limited resources for monitoring and oversight, the Agency must manage these funds and contractor performance to optimize their value added.

**Homeland Security:** As part of national homeland security, EPA is responsible for, among other things, protecting drinking water. EPA has a unique human resource pool and the contractual resources to handle wastes of all kinds that result from natural or manmade disasters, and the Agency is expected to be prepared to protect drinking water. However, the Agency may not currently be able to meet such an expectation.

**Internal Controls/Risk Assessment:** Managing and ensuring the integrity of the Agency's resources is of critical importance. The delegation of proper management to each office and region increases the likelihood of differential applications of internal controls over processes and assets. The risk of resource waste or loss, environmental danger to the public, or failure to accomplish mission objectives due to a lack of controls or fraud increases as internal monitoring and accountability, as well as contractor and grantee monitoring and accountability, is diminished.

**Elements of Internal Control to Assess Potential Program Impacts/Vulnerabilities/Risks**

- **Planning:** Without system-wide goal setting based on consistent criteria, operations and efforts are fragmented and competing.
- **Organization:** Without coordination and collaboration, there is risk of duplication, conflicting forces, inconsistencies, and gaps across organizational units.
- **Policies and procedures:** Without effective policies or procedures, no basis exists for consistency, criteria, or control to guide actions within or across EPA.
- **Performance measurement:** Without clear and consistent measurement, the Agency cannot recognize priorities, nor can it assess progress or accountability.
- **Monitoring:** Without oversight, there is no way to identify and correct deviations from the plan.
- **Accountability:** Without accountability, no commitment, obligation, recourse, or enforceability exists.

**Manpower Assessment:** The nature of the Agency's work continues to evolve as more programs are delegated and have integrated relationships. As the work changes and the role of the Agency changes in relation to its partners, laws, and goals, EPA should accurately assess workforce allocation within its organizational structure to determine the correct number, location, and skills inventory of staff.

**Enforcement/Regulation Review:** The Agency's regulatory process is extremely complex, and opportunities may exist to streamline the process without compromising required integrity. Enforcement of environmental laws and regulations is often fragmented and inconsistent, as it is carried out differently among various federal, State, tribal, and local government entities. Questions related to jurisdiction, interpretation, and coordination can undermine program effectiveness.

**Program Management/Data Verification:** Through Agency programs, EPA should determine relative risk and demonstrate outcome results in terms of environmental conditions and human health for the funds that are spent. These determinations require valid and reliable data linked to the resources applied, the processes used, and the actions taken within EPA and by its federal, State, and grantee partners. Accessing such data is a difficult challenge, as there are no standards or universal agreements among stakeholders on which to base consistent measures of environmental risk and outcomes. Data are used without independent verification of their accuracy, making them vulnerable to manipulation or misuse to influence decisions.

**Project Management:** EPA spends significant funds either directly or through its delegated programs on highly complex projects without adequately applying tools of process planning and feedback to control costs and performance.

**Spending Effectively/Financial/Overhead/Efficient Resource Management:** As operational budgets are reduced, environmental issues become more complex and costly, and EPA has greater oversight responsibilities over more grant funds, EPA should determine if it has the correct skills in the correct places, along with the appropriate systems of accountability, to manage efficiently and effectively. EPA must improve its operational efficiency by reducing the cost of operations, eliminating unnecessary spending and possible duplication, collecting receivables, and leveraging resources to apply a greater percentage of available funds to directly solving the greatest environmental problems.

**Superfund:** EPA should encourage the appropriate reuse and revitalization of brownfields, underground storage tank fields, Superfund sites, Resource Conservation and Recovery Act sites, Base Realignment and Closure sites, and other federal properties through voluntary action and economic incentives, as well as through appropriate compliance and enforcement tools.

**Information Security:** EPA needs to further enhance its cyber security capabilities by acquiring the funds, forensic tools, and experienced technical specialists to determine how attackers have gained entry to EPA network systems, what they did while within EPA's domain space, what information was compromised, and what data may have been maliciously removed. EPA needs an integrated approach for analyzing current and future intrusions, and must also implement several previously-reported security weaknesses that hinder its effective response to network attacks.

**Recovery Act:** EPA received over \$7 billion to be used during FY 2009 through 2011 as part of the Federal Government's stimulus spending effort to help rebuild America's infrastructure. This effort includes implementing environmentally sustainable technologies and strategies and creating and maintaining jobs and incentives that leverage national economic confidence and strength. One of the major features of the Recovery Act is specific statutory responsibility for transparency, accountability, and direct oversight by the OIG. The urgency to achieve the economic goals of the Act through grantees at the State, tribal, and local levels creates a unique combination of opportunities, challenges, and risks for both the Agency and the OIG. The OIG will concentrate its audit and investigative resources to help mitigate the risks, promote accountability, and seek remedies for abusive or fraudulent activity.

## Making Choices – A Customer-Driven Process

Audits, evaluations, inspections, and investigations are undertaken by the OIG based on several criteria, in order of priority. The objective is to develop a portfolio of OIG assignments that represents the best possible return on investment in monetary value and responsiveness in addressing the needs, risks, challenges, priorities, and opportunities of OIG customers, clients, and stakeholders. In developing this portfolio, we (1) conducted considerable research on environmental and management risks, challenges, and opportunities previously identified by EPA leaders, staff, independent interest organizations, Congress, OMB, States, tribes, and earlier OIG work to develop a comprehensive, indexed compendium of those items by topical area; and (2) conducted individual direct outreach planning meetings with members of EPA's Headquarters and regional leadership to obtain their input and validate our research.

### Criteria Considered in Identifying and Selecting Assignments

- Was the assignment requested by senior leaders of the Agency or members of Congress?
- Is the assignment within the mission of the OIG?
- Does the assignment have Agency cost implications?
- Can the assignment be done in a timely and cost-effective way?
- Does the assignment have environmental or business risk or improvement implications?
- Does the assignment improve public confidence and accountability in administering Agency operations?
- Are adequate business control systems in place?
- Is the assignment to review a program, operation, expense, or technology that has not been previously reviewed?
- Are there prior audit or evaluation results on which to follow up?
- Are there opportunities to leverage results with partners?
- What is the availability of OIG resources?
- What is the federal investment or regulatory authority?
- Is there an opportunity to improve process or cost efficiency?

## THE PLAN: CONTINUING AND NEW ASSIGNMENTS

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### EPA Office of Inspector General FY 2010 Annual Plan: Audit Plan

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**The Office of Audit.** OIG audit work focuses on four areas: assistance agreements and contracts, financial audits, risk assessment and program performance, and forensic audits *with special emphasis on providing oversight for EPA's implementation of the American Recovery and Reinvestment Act*. Taken together, funds awarded for assistance agreements and contracts account for approximately two-thirds of EPA's budget. Producing timely financial statements remains a priority across the Federal Government. Equally important is the need to gather and use financial and program performance information to improve EPA's programs by reducing risks and maximizing results.

Planned work will emphasize:

- Direct testing for fraud in grants, contracts, and operational activities.
- Cost savings resulting from audits of grantee and contractor claims.
- Continued improvements in assistance agreement and contract administration.
- EPA's preparation of timely, informative financial statements.
- EPA's use of financial and program performance information, including efficiency measures, to identify cost savings, reduce risks, and maximize results achieved from its environmental programs.
- Review of EPA's risk assessment processes and allocation/application of human resources.

Audits by the **Office of Audit** are conducted through five product lines. Specific assignment titles are listed on the following pages under each product line.

- **Assistance Agreements and Contracts**
- **Forensic Audits**
- **Efficiency Audits**
- **Financial Audits**
- **Risk Assessment and Program Performance**

Audits of Agency information technology and systems are conducted by the **Office of Mission Systems**.

- **Information Technology Audits**

## Assistance Agreements and Contracts Including Recovery Act Oversight

Is EPA using assistance agreements and contracts to efficiently and effectively accomplish its mission?

Is EPA effectively managing contracts to ensure services and products are received from qualified contractors at a reasonable price in a timely manner?

Is EPA administering grants authorized by the Recovery Act in compliance with Recovery Act requirements and OMB guidance?

Contact: Janet Kasper (312) 886-3059

### **OIG Themes Covered**

- Grants and Contracts
- Spending Effectively
- Internal Controls/Risk Assessment
- Follow-up
- Recovery Act Oversight\*

### **Carryover Assignments from FY 2009**

- Stimulus Planning\*
- Contractor Evaluations\*
- Planning for Emergencies
- National Tribal Council
- Recovering Costs Based on DCAA Reports
- Competition for DERA Awards\*
- Unused SAAP
- Award of Interagency Agreements\*
- ARRA Staffing and Qualifications for Contracts and Grants\*
- Recovery Act Intended Use Plans\*

### **New Assignments Planned for FY 2010**

- Preventing Cost Overruns and Project Delays\*
- State Administration & Oversight of State Revolving Fund Projects\*
- Recovery Act Data Quality Reviews\*
- Progress on Diesel Emissions Reductions Act Recovery Act Projects\*
- EPA's Use of General Services Administration's Contracting Schedules

## Forensic Audits

Is EPA sufficiently protected against the risk of fraud, waste, and abuse in its grants, contacts, and internal operations?  
Is EPA carefully controlling and monitoring the application and accountability of Recovery Act funds to subgrantees and contractors?

Contact: Robert Adachi (415) 947-4537

### OIG Themes Covered

- Grants and Contracts
- Internal Controls/  
Risk Assessment
- Superfund
- Recovery Act Oversight\*

### **Carryover Assignments from FY 2009**

- Controls Over Purchase Card Transactions
- Alaska Native Tribal Health Consortium

### **New Assignments Planned for FY 2010**

- Single Audit Report Processing
- Superfund Claims
- Site Visits to ARRA Subrecipients\*
- Site Visit to ARRA Contractors\*
- ARRA Puerto Rico\*
- Hotline Complaints\*

## Efficiency Audits

Are EPA programs and operations performing with the greatest efficiency in regards to allocation and application of resources?

Contact: Richard Eyermann: (202) 566-0565

### OIG Themes Covered

- Resource Management
- Accountability

### **New Assignments Planned for FY 2010**

- Business Process Improvement for National Pollution Discharge Elimination System Permitting and Enforcement
- Implementation of the National Water Research and Development Initiative Act of 2009



## Financial Audits

Does EPA have the people, processes, and systems to efficiently provide timely, accurate, complete, and useful financial information for decision making, including resource management and accountability?

Does EPA have appropriate controls to accurately account for Recovery Act spending?

Contact: Paul Curtis (202) 566-2523

### **OIG Themes Covered**

- Resource Management
- Follow-up
- Superfund
- Grants and Contracts
- Internal Controls/  
Risk Assessment
- Information Security
- Recovery Act Oversight\*

### **Carryover Assignments from FY 2009**

Audits of:

- Fines and Penalties
- FY 2009 EPA Financial Statements
- Superfund CA Unliquidated Obligations
- Unliquidated Obligations Under Federal Advances
- FY 2009 Chemical Safety Board Financial Statements

### **New Assignments Planned for FY 2010**

Audits of:

- Agreed Upon Procedures – EPA's First Quarter FY 2010 Financial Statements
- FY 2010 EPA Financial Statements
- FY 2010 Financial Statements: Pesticides Reregistration and Expedited Processing Fund (FIFRA)
- FY 2010 Financial Statements: Pesticides Registration Fund (PRIA)
- U.S. Chemical Safety and Hazard Investigation Board FY 2010 Financial Statements
- Controls over EPA's Personal Computers
- FY 2009 OMB A-1223 Review of Unliquidated Obligations
- ARRA Financial Reporting\*
- Unliquidated Obligations for Water Program Assistance Agreements

## Risk Assessment and Program Performance

Does EPA have the control systems in place to identify and prevent the misuse of resources, assess its human capital needs, and determine whether its program processes are efficient and goals are being achieved?

Contact: Patrick Gilbride (303) 312-6969

### OIG Themes Covered

- Manpower Assessment
- Grants and Contracts
- Internal Controls/  
Risk Assessment
- Program Management/  
Data Verification

### **Carryover Assignments from FY 2009**

- Chemical Safety Board Recommendations
- EPA Manpower Activities
- National Environmental Protection Strategy

### **New Assignments Planned for FY 2010**

- Agency Weaknesses and Challenges
- Chemical Safety – Management of Investigative Recommendations
- EPA Workforce Planning Activities
- FMFIA Coordination Between EPA National Program Managers and Regions

## Information Technology Audits

**Office of Mission Systems:** With the increasing visibility of data management, quality, and availability, information resource management has become an increasingly important area of work for the Agency. Over the years, the OIG has reported management challenges in a number of key information resource management areas. Additionally, Recovery Act accountability, reporting, and data management are essential to the integrity of the program.

**Information Collection and Quality:** Do EPA's data collection methods ensure that the appropriate type, quantity, and quality of data are collected for the intended purpose?

**Information Technology Investment Management:** Has EPA implemented well-structured and effective processes to ensure that investments in information technology resources achieve the desired result?

**Information Security and Privacy:** Are EPA's computer security and privacy programs comprehensive and actively implemented throughout the Agency to balance risk and mission requirements?

Contact: Rudolph Brevard (202) 566-0893

**OIG Themes Covered**

- Resource Management
- Internal Controls
- Follow-up
- Grants and Contracts
- Project Management
- Manpower Assessment
- Homeland Security
- Enforcement
- Information Security
- Recovery Act Oversight\*

**Carryover Assignments from FY 2009**

- Data Quality Audit of Integrated Contracts Management System (ICMS) (Contracted)
- IT Audit Support to the Fiscal 2009 Financial Statement Audit – Source: Mandatory CFO Act
- Review of Customer Technology Solutions (CTS) Project Implementation
- Quality of Data in EPA’s Resource Conservation and Recovery Act Information (RCRAInfo) System (Contracted)
- Quality of Data in EPA’s Enforcement and Compliance History Online (ECHO) System (Contracted)
- U.S. Chemical Safety and Hazard Investigation Board (CSB) - FY 2009 FISMA Audit (Contracted)
- FY 2009 Federal Information Security Management Act (FISMA) Audit – Source: Mandatory FISMA (Contracted)

**New Assignments Planned for FY 2010**

- FY 2010 Federal Information Security Management Act (FISMA) Audit – Source: Mandatory – Federal Information Security Management Act
- Information Technology Audit Support to the Fiscal 2010 Financial Statement Audit
- U.S. Chemical Safety and Hazard Investigation Board (CSB) - FY 2010 FISMA Audit (Contracted)
- Review of EPA’s Quality Management Program
- EPA’s Progress with Completing the Data Standards Corrective Action Plan
- Review of EPA Systems and Procedures for Tracking, Reporting, and Accounting for Recovery Act Expenditures and Accomplishments
- Assessment of EP’s Internal and External Network Traffic Management Practices – Source: Mandatory – Federal Information Security Management Act
- Audit of EPA’s System Development Activities – EPA’s New Financial Management System
- Audit of EPA’s Practices for Responding to Network Attacks

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## **EPA Office of Inspector General FY 2010 Annual Plan: Evaluations and Special Reviews Plan**

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**The Office of Program Evaluation.** The objective of OIG program evaluations is to examine root causes, effects, and opportunities leading to conclusions and recommendations that influence systemic changes and contribute to the accomplishment of the Agency's mission. Program evaluations and special reviews assess and answer specific questions about how well a program is working. These evaluations are performed at EPA OIG by staff with diverse backgrounds, including accounting, economics, environmental management, and the sciences, and they comply with the rigorous Government Auditing Standards. OIG staff can assess (1) strategic planning and process implementation to determine whether a program is designed and operating as intended, (2) the extent to which a program is achieving its outcome objectives, (3) the extent to which program outcomes are having an effect, and (4) the benefits of program results compared to the costs.

### **Evaluations for FY 2010**

At a time when federal program budgets are diminishing due to competing demands and the economic environment, and issues are increasingly complex and costly, EPA's goal of delivering a vital program of environmental protection is more challenging than ever. For this reason, OIG program evaluations will concentrate on reviewing the ways programs are using and controlling their physical, fiscal, human, and informational resources. OIG program evaluations will also review how programs are structured to carry out the regulatory process, and how EPA ensures the integrity of the data it uses to assess environmental performance, develop policies and regulations, and make significant enforcement and management decisions. Program evaluations will specifically attempt to identify ways that the Agency can best leverage its resources, reduce duplication and costly practices and processes, and improve the integrity and value of program results. The Office of Program Evaluation is also mandated to evaluate how well EPA is managing and administering the Superfund. Additionally, the Recovery Act mandates the OIG to evaluate program performance and reporting quality.

Assignments concentrate on themes of Research & Development, Enforcement, Homeland Security, Superfund, Data Verification, and Internal Controls, reflecting our attention to the Agency's mission, and operational and systemic risks. The evaluation staff is flexible, producing effective analyses in any assigned area. Evaluation topics and priorities in our FY 2010 plan are driven by our assessment of organizational risk in relation to available resources based on input from EPA's leadership, Congress, and stakeholders. Program evaluations are conducted through five product lines. Specific assignments are listed on the following pages under each product line.

- **Air and Research**
- **Water and Enforcement**
- **Land and Superfund**
- **Cross Media**
- **Special Reviews**

## Air and Research

**Research:** Is EPA effectively and efficiently planning, managing, conducting, and overseeing research and its byproducts to address the Agency's current and future needs? Is EPA safeguarding the public from hazardous risks?

**Air Toxics:** Is EPA obtaining sufficient data that are both valid and reliable to measure performance and guide decision making? Is EPA assessing and managing risks to provide reasonable assurance of progress towards goals and adequate protection to the public?

**Clean Air Partnerships:** Are partnerships, voluntary programs, and other nonregulatory initiatives achieving clean air goals efficiently and effectively?

Contact: Rick Beusse (919) 541-5747

### OIG Themes Covered

- Project Management
- Data Verification
- Internal Controls
- Follow-up
- Resource Management
- Research & Development
- Recovery Act Oversight\*

### **Carryover Assignments from FY 2009**

- EPA's Progress in Achieving Urban Air Toxics Strategy Goals
- Assessment of ORD's Performance Management System for Achieving Selected Research Goals
- Evaluation of the use of remote sensing data to assess environmental contamination at selected de-listed Superfund sites

### **New Assignments Planned or Ongoing in FY 2010**

- ARRA/Stimulus – Evaluation of EPA's Oversight of ARRA Diesel Emissions Reductions\*
- Assessment of ORD's Endocrine Disruptors Research Program that supports EPA's EDSP program for assessing and addressing health risks.
- Review of ORD's Budgeting, Use, and Management of Research Funds
- Review of the Process Used by EPA to Develop its Greenhouse Gas Endangerment Finding

## Water and Enforcement

**Protecting Water Quality:** How well is EPA protecting water quality through core water programs?

**Health of Aquatic Systems:** How can EPA effectively protect and restore sustainable, healthy aquatic communities and ensure waters that sustain human health?

**Enforcement:** How accurate and consistent is EPA's enforcement program?

Contact: Dan Engelberg (202) 566-0830

**OIG Themes Covered**

- Resource Management
- Data Verification
- Project Management
- Internal Controls  
Enforcement/Regulation  
Review
- Recovery Act Oversight\*

**Carryover Assignment from FY 2009**

- None

**New Assignments Planned or Ongoing in FY 2010**

- OECA Compliance and Enforcement Agreements with States
- Bacteria Enforcement – Follow-up
- Internal Controls to Protect Against Fraud in the Drinking Water Program
- EPA's Allocation Formula for the State Revolving Funds
- State List Prioritization and Unranked Sites\*
- EPA's Oversight of State Enforcement Progress

**Land and Superfund**

**Hazardous Waste Clean-up (Superfund):** Is EPA ensuring that requirements are met and guidance is followed in conducting Superfund clean-ups? Is EPA recovering the government's costs to clean up Superfund sites?

Contact: Carolyn Copper (202) 566-0829

**OIG Themes Covered**

- Follow-up
- Superfund
- Enforcement
- Regulation Review
- Internal Controls
- Resource Management
- Homeland Security
- Recovery Act Oversight\*

*All Assignments Cover Superfund Program Activity*

**Carryover Assignments from FY 2009**

- Ensuring Long-term Safety at Federal Facility Superfund Sites
- Independent Site Sampling
- Quality Assurance in the Brownfields Program – All Appropriate Inquiry
- Review of Sampling and Communications at Mills Gap Superfund Site

**New Assignments Planned or Ongoing in FY 2010**

- Recovery Act Assignment – Brownfields Program\*
- Evaluation of EPA Ready for Reuse Determinations
- Beneficial Uses of Coal Combustion Waste

## Cross Media

**Partnership/Voluntary Programs:** Are EPA voluntary programs effectively achieving their environmental goals?

**Management and Performance:** How does the program management and organizational structure of EPA's community-based initiatives affect program outcomes?

**Homeland Security:** How effectively can EPA perform its mission during a pandemic?

Contact: Jeffrey Harris (202) 566-0831

### OIG Themes Covered

- Resource Management
- Internal Controls
- Research & Development
- Project Management
- Follow-up
- Manpower Assessment
- Data Verification
- Homeland Security
- Enforcement/Regulation Review
- Recovery Act Oversight\*

### Carryover Assignments from FY 2009

- Follow-up on the 2004 Evaluation of the Office of Children's Health Protection

### New Assignments Planned for FY 2010

- ENERGY STAR Program Summary Report
- Evaluation of Antimicrobial Program Effectiveness
- Evaluation of EPA Recovery Act Targeting Criteria\*
- Evaluation of the BioWatch Program
- Evaluation of EPA Open Dumping Enforcement on Tribal Lands

## Special Reviews

### Evaluation of Hotline Complaints

Contact: Eric Lewis (202) 566-2664

#### **OIG Themes Covered**

- Internal Controls
- Resource Management
- Enforcement/Regulation Review

#### **Carryover Assignments from FY 2009**

- GOVTRIP Controls
- OIG Scientific Analysis of Perchlorate
- Sandia Mixed Waste Hotline Complaint
- Evaluation of the OIG Hiring Process

#### **New Assignments Planned or Ongoing in FY 2010**

- Readiness Review of the Radiation and Indoor Environments Laboratory
- Follow-up on Libby Risk Assessment
- Review of the Effectiveness of Agency Staffing Resources – Position Management
- Delegation of Authorities
- Travel Systems Controls
- Hotline Complaint at the Bannister Complex
- Review of Superfund Charging of Credit Hours



## EPA Office of Inspector General FY 2010 Annual Plan: Congressional, Public Affairs and Management Plan

**The Office of Congressional, Public Affairs and Management (OCPM).** OCPM is the bridge between the EPA OIG and Congress, the public, and the media. OCPM manages human resources, budgeting, financial management, controllership, and contracting functions; and provides editorial support for the OIG. OCPM fulfills the requirements of the Inspector General Act by coordinating the review of existing and proposed legislation, regulations, and policy. OCPM also implements requirements of the Inspector General Act, OMB Circular A-50, and the Generally Accepted Government Auditing Standards by coordinating and reviewing Agency performance in taking agreed-to corrective actions on OIG recommendations, and coordinates OIG's internal FMFIA program along with special reviews of internal operations and controls. Additionally, OCPM coordinates OIG annual and strategic planning and presents specialized training.

### Follow-up Reviews, Coordination, and Reporting

To what degree is the Agency taking the agreed-to actions on OIG recommendations?

Contact: Michael Binder (202) 566-2617

### Regulatory and Policy Analysis and Review

How can the OIG promote economy, efficiency, and effectiveness through the review of existing and proposed legislation, regulations, and policies?

Gary Greening (202) 566-1504

#### OIG Themes Covered

- Internal Controls
- Follow-up
- Spending Effectively
- Enforcement/Regulation Review
- Program Assessment Rating Tool/Data Validation
- Recovery Act Oversight

#### **Carryover Assignment from FY 2009**

- None

#### **New and Required Assignments Planned for FY 2010**

- Policy Coordination, External Policy, Exposure Draft, Regulation Review
- Technical Revision of EPA Manual 2750
- OIG Follow-up Coordination and Semiannual Compendium Report on Unimplemented Actions on OIG Recommendations
- Analysis of Agency Close-out and Follow-up Management Processes
- OIG Annual Performance Planning and Reporting
- OIG Annual Internal FMFIA Report
- OIG Controllership and Financial Management
- OIG Independent Contracting and Acquisitions
- OIG Independent Human Resources Management
- OIG Report Editing and Semiannual Reporting
- Recovery Act Reporting

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## EPA Office of Inspector General FY 2010 Annual Plan: Investigation Plan

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**The Office of Investigations (OI).** OI primarily employs Special Agents, as well as computer specialists, chemists, and support staff. OI maintains a presence in each of the EPA regions and at selected EPA laboratories, other facilities, and Headquarters.

The majority of investigative work is reactive in nature. OI receives hundreds of allegations of criminal activity and serious misconduct in EPA programs and operations that may undermine the integrity of, or confidence in, programs, and create imminent environmental risks. To prioritize our work, we evaluate allegations to determine which investigations may have the greatest impact on Agency funds and the integrity of EPA programs and operations, and produce the greatest deterrent effect. OI contributes to EPA's strategic goals by ensuring that the Agency's scarce resources are not pilfered by unscrupulous individuals or companies. OI has identified the following major areas on which to focus: financial fraud (contracts, assistance agreements), computer crimes, infrastructure/terrorist threat, program integrity, and theft of intellectual or sensitive data. OI supports the Agency and OIG Recovery Act oversight and assistance, as directed by statute and OMB, by providing fraud awareness, detection, and prevention training to federal, State, and local officials; receiving complaints, referrals, and allegations of abuse and misconduct concerning Recovery Act funds; and investigating as needed to protect the integrity of federal resources devoted to Recovery Act objectives.

### Investigations

OIG focuses on the prevention, detection, and investigation of fraud, waste, and abuse in programs and operations administered or financed by the EPA. In this role, the OIG conducts criminal, civil, and administrative investigations into allegations of fraud and serious misconduct that could create imminent environmental risks or undermine the integrity of EPA or the public's confidence in its key environmental work.

Contact: Wayne McElrath (202) 566-0875

Stephen J. Nesbitt (202) 566-0819 (Cyber Investigations and Homeland Security)

**OIG Themes Covered**

- Data Verification
- Enforcement/Regulation

**Review**

- Internal Controls
- Grants and Contracts
- Superfund
- Homeland Security
- Follow-up
- Information Security
- Recovery Act Oversight\*

**Investigations begun prior to FY 2010 and new investigations will examine:**

- Criminal activities in the awarding, performance, and payment of funds under EPA contracts, grants, and other assistance agreements to individuals, companies, and organizations.
- Criminal activity or serious misconduct affecting EPA programs that could undermine or erode the public trust.
- Contract laboratory fraud relating to water quality and Superfund data, and payments made by EPA for erroneous environmental testing data and results that could undermine the bases for EPA decision making, regulatory compliance, and enforcement actions.
- Intrusions into and attacks against EPA's network, as well as incidents of computer misuse, theft of intellectual property or other sensitive data, and release of or unauthorized access to sensitive or proprietary information.

**Investigative support to EPA and new initiatives:**

- Continue training key EPA officials to increase awareness of contract and grant fraud, to identify funds at risk, and to recognize cyber threat issues and indicators of conditions at risk and vulnerabilities.
- Forming an Emergency Response Team (ERT) to respond to national or regional disasters. The ERT will proactively address high-risk financial resources and provide generalized law enforcement support to critical EPA assets and activities. This proactive approach will ensure a quick assessment of the possible threat that might impair EPA's ability to execute its critical safety response mission.
- Enhancing our knowledge, skills, and abilities to ferret out financial crimes targeting EPA financial resources.
- Engaging in ARRA outreach support.
- Providing forensic audit support for investigations of contracts, grants, and program integrity.

## EPA Office of Inspector General FY 2010 Annual Plan: Performance Measures and Targets

The Government Performance and Results Act (GPRA) requires federal agencies to develop goal-based budgets supported by annual performance plans that link the organization's mission and strategic goals to its annual performance goals (APGs). The APGs are quantifiable targets supported by measures and indicators representing the expected outputs and outcomes. The Agency's annual Performance Accountability Report includes actual results compared to targets to inform OMB, Congress, and the public about the value they are receiving for funds invested and how well we are achieving our goals.

This annual plan explains how the OIG will convert its resources into results through required and priority assignments. Outcome results from OIG work reflect measurable actions and impacts, but there is typically a time lag between the completion of OIG work and recognition of such results. Therefore, OIG results are recorded in the year recognized regardless of when the work was performed. Through current-year outputs and long-term outcomes, OIG targets and measures seek to promote economy, efficiency, and effectiveness, and prevent and detect fraud, waste, and abuse.

The FY 2010 President's Budget for the OIG is \$54.7 million, which includes Superfund and the Chemical Safety and Hazard Investigation Board. The following are the OIG annual performance goals/targets that this plan is designed to achieve, pending final budget agreements. Additionally, the Recovery Act provided the OIG with \$20 million to be used between FY 2009 and 2012.

Annual Performance Measures	Supporting Indicators	FY 2010 Targets*
<b>Environmental and business actions taken for improved performance and reduction of risk from or influenced by OIG work</b>	<ul style="list-style-type: none"> <li>Policy, process, practice, or control changes implemented</li> <li>Environmental or operational risks reduced or eliminated</li> <li>Critical congressional or public concerns resolved</li> <li>Certifications, verification, or analysis for decision or assurance</li> </ul>	<b>318 non-ARRA</b> <b>20 ARRA</b>
<b>Environmental and business recommendations or risks identified for corrective action by OIG work</b>	<ul style="list-style-type: none"> <li>Recommendations or best practices identified for implementation</li> <li>Risks or new management challenges identified for action</li> <li>Critical congressional/public actions addressed or referred for action</li> <li>Outreach/Technical Advisory briefings (ARRA)</li> </ul>	<b>903 non-ARRA</b> <b>90 ARRA</b>
<b>Potential monetary return on investment in the OIG, as a percentage of the OIG budget</b>	<ul style="list-style-type: none"> <li>Recommended questioned costs</li> <li>Recommended cost efficiencies and savings</li> <li>Fines, penalties, settlements, restitutions</li> </ul>	<b>120% ROI non-ARRA</b> <b>(\$65.6 million)</b> <b>225% ROI ARRA</b> <b>(\$13.5 million)</b>
<b>Criminal, civil, administrative, and fraud prevention actions taken from OIG work</b>	<ul style="list-style-type: none"> <li>Criminal convictions</li> <li>Indictments/informations</li> <li>Civil judgments</li> <li>Administrative actions (staff actions and suspension or debarments)</li> </ul>	<b>75 non-ARRA</b> <b>3 ARRA</b>

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## **Appendix A – Limitations on Advisory Services**

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The OIG provides certain advisory services to the Agency as part of the value it adds in promoting economy, efficiency, and effectiveness. However, to protect Inspector General independence, the Inspector General Act explicitly restricts the Inspector General from making or deciding on Agency policies. The Generally Accepted Government Auditing Standards provide specific criteria delineating what advisory services, defined as non-audit services, OIG staff can perform, and what constitutes a personal or organizational impairment of independence in fact or appearance. Several of the Standards limitations are cited below and explain why the OIG may not be able to assist the Agency in ways that may be requested.

### **Overarching Independence Principles When Performing Non-audit Services**

The following two overarching principles apply to auditor independence when assessing the impact of performing a non-audit service for audited entities:

- Audit organizations must not provide non-audit services that involve performing management functions or making management decisions.
- Audit organizations must not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.

In considering whether audits performed by the audit organization can be significantly or materially affected by the non-audit service, audit organizations should evaluate (1) ongoing audits; (2) planned audits; (3) requirements and commitments for providing audits, which include laws, regulations, rules, contracts, and other agreements; and (4) policies placing responsibilities on the audit organization for providing audit services. If requested to perform non-audit services that would impair the audit organization's ability to meet either or both of the overarching independence principles for certain types of audit work, the audit organization should inform the requestor and the audited entity that performing the non-audit service would impair the auditor's independence with regard to subsequent audit or attestation engagements.

## Non-audit Services That Impair Independence

By their nature, certain non-audit services directly support the entity's operations and impair the audit organization's ability to meet either or both of the overarching independence principles for certain types of audit work. Examples of the types of services under this category include the following:

- Maintaining or preparing the audited entity's basic accounting records or maintaining or taking responsibility for basic financial or other records that the audit organization will audit.
- Designing, developing, installing, or operating the entity's accounting system or other information system that is material or significant to the subject matter of the audit.
- Recommending a single individual for a specific position that is key to the entity or program under audit, or otherwise ranking or influencing management's selection of the candidate; or conducting an executive search or a recruiting program for the audited entity.
- Developing an entity's performance measurement system when that system is material or significant to the subject matter of the audit.
- Performing the entity's internal control self-assessment process or developing the internal control system.
- Developing an entity's policies, procedures, and internal controls.
- Providing services used as management's primary basis for making decisions that are significant to the subject matter under audit.
- Internal audit functions, when performed by external auditors.
- Serving as voting members of an entity's management committee or board of directors, making policy decisions that affect future direction and operation of an entity's programs, supervising entity employees, developing programmatic policy, authorizing an entity's transactions, or maintaining custody of an entity's assets.
- Planning, conducting, or reviewing audit work of the subject matter of the non-audit by the same person providing the non-audit services under the overarching independence principle that auditors must not audit their own work.

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## Appendix B – Oversight of Recovery Act Funds

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### OIG Recovery Act Oversight Objectives, FY 2009 – 2012 *(and possibly beyond as needed)*

The American Recovery and Reinvestment Act of 2009 provides the EPA OIG \$20 million through September 30, 2012, for oversight and review. The OIG will assess whether EPA is using its \$7.2 billion of Recovery Act funds in accordance with its requirements and is meeting the accountability objectives as defined by OMB. Specifically, OIG's objectives are to determine whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

### OIG Helps the Agency Reduce Risk

As EPA prepares to award Recovery Act funds, the OIG is alerting Agency managers of risks and recommending cost-effective controls to help prevent fraud, waste, and abuse; and ensuring program goals are achieved and stimulus funds are accurately tracked and reported. As our auditors and evaluators identify risks, they will provide Agency managers flash reports with recommendations for ways to mitigate these risks. Our investigators are developing an outreach strategy to educate EPA employees, contractors, grant recipients, the law enforcement community, and the general public about grant and contract fraud schemes and how to report suspected fraud. Our work is being closely coordinated with the Recovery Accountability and Transparency Board, as well as other audit and law enforcement organizations at the federal, State, and local levels.

### OIG Review Activities

After EPA awards Recovery Act funds, the OIG will audit and investigate EPA's management of the Recovery Act programs, how the funds are being used, and the accuracy of the information being reported. The OIG will proactively prevent fraud, waste, abuse, and mismanagement of funds. Listed below are some of the areas we plan to audit and investigate.

#### *Performance Audit Objectives*

- Evaluate the process for awarding funds, particularly competitive awards.
- Determine whether funds are being awarded and spent in a timely manner.
- Determine whether the Agency has sufficient staff with the skills and knowledge needed to manage Recovery Act grants and contracts.
- Evaluate how the Agency is monitoring the use of the funds.
- Assess how performance is being measured and the process for computing jobs saved and created.
- Review the quality of data systems and information EPA uses for reporting to meet Recovery Act requirements.

### ***Financial Audits***

- Conduct interim and final financial audits of Recovery Act fund recipients to determine whether:
  - costs incurred met federal requirements;
  - funds were used as intended; and
  - the use of funds was free of fraud, waste, abuse, and mismanagement.
- Work with EPA to update the Single Audit Compliance Supplements for the Clean Water and Drinking Water State Revolving Funds.
- Review Single Audit reports on Recovery Act funds and ensure that corrective action is taken.
- As part of the annual audit of EPA's overall consolidated financial statements, assess:
  - internal controls over the financial reporting of Recovery Act funds;
  - transactions to determine whether they are properly authorized, recorded, and reported;
  - compliance with Recovery Act provisions that could have a material or direct effect on the financial statements; and
  - the ability or effectiveness of capturing data for external reporting.

### ***Investigations***

- Investigate allegations raised by the public and others of fraud, waste, and abuse committed against EPA involving Recovery Act funds.
- Contact State recipients to facilitate ongoing communications regarding EPA Recovery Act funds distributed to local authorities.
- Through the review of EPA and State audits and evaluations, identify fraud indicators, program weaknesses, and potential problems.
- Gather information on potential instances of fraud being perpetrated with EPA Recovery Act funds from law enforcement officials, auditors, contractors, suppliers, and vendors at the federal, State, and local levels.

## **Assignments Planned for FY 2009/2010**

### ***Audits and Evaluations***

- State Selection Process for SRF Funded Projects
- Evaluation and Use of Contractor Performance Information
- Management of Contract Costs and Schedule
- Responsibility Determinations for Recovery Act Interagency Agreements
- Oversight Validation and Quality Assessment of EPA and Grantee Performance Data, Measures, and Reporting
- Oversight of EPA's Leaking Underground Storage Tank Program
- Effectiveness of EPA's ARRA funding criteria in targeting job creation and retention and meeting infrastructure needs
- EPA's Diesel Emission Reduction Act Grants awarded under 2009 ARRA
- EPA Guidance for ARRA and future Green Reserve Projects (Completed)
- Competition for Diesel Emissions Reduction Act Awards
- ARRA Staffing and Qualifications for Contracts and Grants
- Recovery Act Intended Use Plans
- Preventing Cost Overruns and Project Delays
- State Administration and Oversight of State Revolving Fund Projects
- Progress on Diesel Emissions Reduction Act, Recovery Act Projects
- Site Visits to ARRA Subrecipients and Contractors
- ARRA Financial Audits (as described above)
- Brownfields Program



### ***Investigations and Advisory Services***

- Form Fraud Investigative Teams with the Office of Program Evaluation to train EPA regional State Revolving Fund staff, starting with the top 10 States receiving Recovery Act State Revolving Funds.
- Develop educational and outreach materials that identify known fraud indicators associated with contract and grant fraud.
- Develop and implement an outreach program to EPA resources, and State and local recipients of ARRA funds.
- Develop data collection methodologies for identifying high-risk targets.
- Provide advisory services on Agency and government-wide risk assessment and performance measurement methodology.

## **OIG Recovery Act Oversight Performance Measures and Reporting**

OIG will continue using its standard GPRA measures to separately report the results of its Recovery Act oversight work, as collected through its internal databases. The OIG will also collect and report results based on specific measures described in the Recovery Act relating to whistleblower reprisal complaints and allegations. Additionally, the OIG will report monthly on actual and planned activities through the Council of Inspectors General on Integrity and Efficiency (CIGIE), and the Recovery Accountability and Transparency Board (RAT Board).

### ***Existing Annual Measures***

- Environmental/management improvement or risk reduction actions taken as a result of OIG work (policies, practices, controls changed/implemented; risks reduced/eliminated; decisions made).
- Environmental/management improvement recommendations or risks identified by OIG work (policies, practices, controls; risks, challenges, public concerns addressed, awareness briefings presented).
- Potential monetary return from questioned costs, cost efficiencies, fines, settlements, recoveries.
- Criminal, civil, and administrative actions taken to prevent or detect fraud and promote program integrity.

### ***New Monthly Measures Reported through the CIGIE and the RAT Board***

- Whistleblower reprisal reviews initiated, closed, and declined, and with extensions requested.
- Major actions taken by month, to date, and planned, along with expenditures and staff time.
- Reports issued, investigations completed, training/assistance provided, and testimony provided.
- Outreach/Technical Assistance Briefings
- Complaints (via Hotline or Referral)